

# Maurice Hinchey NEWS

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### HINCHEY BLASTS BUSH PLAN TO PRIVATIZE SOCIAL SECURITY

*ALBANY - U.S. Representative Maurice Hinchey (D-NY) today spoke at a press conference to express strong opposition to the soon-to-be-released plan to partially privatize Social Security. A commission appointed by President Bush is scheduled to meet on Tuesday and may release the plan following that meeting. A copy of Hinchey's remarks follows:*

"It's time to set the record straight about Social Security privatization.

"President Bush appointed a Social Security Commission that is stacked with people who favor his plan to privatize Social Security. Treasury Secretary O'Neill and the Bush's 'privatizers' are running around claiming there is a crisis in an attempt to discredit Social Security and deliver the money to Wall Street money managers.

"In fact, no such crisis exists. Social Security can pay promised benefits in full for nearly four decades, even with no changes.

"While we must take action to address the long-term challenges of preserving and strengthening Social Security's unique features, this is a challenge - not a crisis - and it does not warrant a radical change that would put the system at risk.

"A privatized system would threaten current benefit levels just as the baby boom generation reaches retirement; increase the amount of risk workers and their families would bear; threaten survivors and disability benefits; and, incidentally, reward Wall Street financial firms who contributed generously to the President's election campaign.

"Privatization is a so-called solution that would make Social Security's projected shortfall worse, not better. Diverting two percentage points of payroll taxes into private accounts, as President Bush proposed during the campaign, would drain more than \$1 trillion out of Social Security over 10 years, and exhaust the Social Security Trust Funds 14 years sooner than is currently projected.

"President Bush and other advocates of privatization claim that the transition to private accounts can be financed through available budget surpluses. However, we've already promised the surpluses within Social Security to current and future retirees and we must keep that promise. But now the surpluses outside Social Security have already been consumed by President Bush's irresponsible tax cut that gives the majority of benefits to the wealthiest 1 percent of Americans. So whom does that leave to pay for privatization?

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**Congressman Maurice Hinchey**

**July 23, 2001**

**Page Two**

"The poison pill of the Bush privatization plan is that benefits will need to be cut for current and future retirees. Those who can least afford to have their guaranteed benefits cut dramatically –today's seniors, the Baby Boom generation, the disabled, widows and young children – would face the prospect of having them cut by more than 40 percent. We simply cannot let this happen.

"The Bush 'privatizers' talk a lot about rates of return, so let's look at the facts. Today, excess Social Security tax receipts are invested in Treasury bonds - the safest investment available in the world, backed by the full faith and credit of the U.S. government. In 2000, these bonds returned a rate of 6.9 percent.

"'Privatizers' in turn rely on overly optimistic rates of return and assume that the stock market will perform as well in the future as it did in the past decade - a very risky assumption when you consider that last year the stocks of dozens of prominent high tech companies crashed, the average 401k fund lost 10.3 percent of its value, and stocks and mutual fund shares fell 31.6 percent.

"Moreover, it's a dishonest sleight of hand by Bush and his supporters to compare returns to Social Security to returns from private savings that provide only retirement benefits. Social Security is an insurance program -- not an investment program -- and offers benefits and protections that no investment program can provide. Unlike investment accounts, Social Security pays a progressive monthly benefit that lasts a lifetime and is guaranteed to increase every year at a rate that is protected against inflation -- all with no risk of investment loss.

"These features of Social Security mean that workers and their families have the freedom to build the bulk of their retirement savings through their own accounts that entail financial risk. At the same time, Social Security provides income security to disabled workers, survivors and their families that is simply unavailable in the private market.

"Turning Social Security into a quasi-401k plan would eliminate the very income guarantees that have made it a lifesaver for our most vulnerable citizens. Social Security has been spectacularly successful in reducing poverty among the elderly and disabled, and ensuring that people who have worked hard all their lives have a minimally decent standard of living in retirement.

"Perhaps its easy for President Bush and his band of 'privatizers' to turn their backs on this guarantee because they are among the elite few that don't need to count on Social Security to protect them. After all, Treasury Secretary O'Neill won't have to depend on Social Security -- he made \$59 million last year at Alcoa and his company pension pays him over \$77,000 a month. But more than 50 percent of all retirees would live in poverty without Social Security, and for all of those seniors and the future generations who are counting on Social Security as

the most important, most stable foundation for their retirement, we can't afford to take this risk.

"There is no need to abandon this successful insurance system that is so important to so many. Stand up and make your voices heard against this high-risk, family-unfriendly and insecure system of privatization."